

CITY OF MUSKEGON FINANCIAL POLICIES

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INTRODUCTION

The financial policies presented here set forth the basic policy framework for the financial management of the City of Muskegon. Many of the policies represent long-standing principles, practices, or traditions that have guided the city in the past. They have been brought together in one place to ensure their consistency and to provide Commission and staff a comprehensive reference document for current and future decision-making. While these policies are intended to provide continuity within a constantly changing environment, it is also intended that they be reviewed regularly and amended as needed.

I. OPERATING BUDGET POLICY

The city shall adhere to the requirements of the State of Michigan "Uniform Budget Act" (P.A. 621 of 1978, as amended).

The budget shall be balanced by Fund. Budgeted expenditures of each fund will be less than or equal to the sum of projected fund balance at the beginning of the fiscal year and all revenues which reasonably can be expected to be received during the fiscal year. It will be the annual goal of the city to match current operating expenditures with current operating revenues for each fund. Where this is not possible due to economic downturn or other factors, the "operating deficit" (i.e. operating revenues less operating expenditures) will be clearly highlighted.

Budgets will be adopted on a basis of accounting consistent with generally accepted accounting principles. Revenues are budgeted when they become measurable and available and expenditures are charged against the budget when they become measurable, a liability has been incurred, and the liability will be liquidated with current resources.

The budget shall be adopted through a "Resolution of Appropriation." Appropriations will be made at the departmental or project level for the General Fund Budget and at the fund level for all other budgets. The level of formal appropriation will constitute the "appropriation center" for each fund as defined in the state Uniform Budget Act. Transfers of budgeted funds between appropriation centers will require the formal approval of the City Commission.

The City Manager and city Department Heads are authorized to transfer line-item budget amounts within appropriation centers. Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the City Commission, which may be done at any time during the budget year.

Budgets will be carefully monitored throughout the year. Each quarter the budget together with the policies and priorities on which it is based will be thoroughly reviewed by the City Manager to determine whether changes are necessary. An amended budget reforecast will be presented to the City Commission based on this review.

Department Heads are authorized to reallocate budgeted positions between activities under their jurisdiction; however, new positions may only be created with approval of the City Manager and within the budgetary authority approved by the City Commission.

The city will integrate goals and objectives into the budget and develop a system to monitor performance in meeting city objectives.

All operating funds of the city are subject to the annual budget process and will be reflected in the annual budget document with the exception of certain "pass-through" funds (such as the current tax fund), trust and agency funds, funds having a separate fiscal year (e.g. CDBG), and non-recurring project and grant funds for which a budget shall be adopted at the time the project is approved.

The enterprise fund and internal service fund operations of the city are intended to be fully self-supporting, i.e. current revenues will cover current expenditures, debt service, and capital costs.

The city's budget will portray both direct and indirect costs of programs whenever practical.

As permitted by state law (P.A. 30 of 1978), the city will fund and maintain a separate Budget Stabilization Fund for the purpose of ensuring that adequate funding is available to maintain levels of municipal services in the event of a major revenue loss.

CONTINGENCY ACCOUNT

A "contingency" line-item will be included in the General Fund Budget for unforeseen operating expenditures. The amount of the contingency account will not exceed five percent (5%) of total budgeted expenditures. Use of the contingency account will require formal approval of the City Commission who will authorize the transfer of contingency funds to the appropriation center where the actual cost will be incurred. If in a given year it is determined that other budgeted operating funds require a contingency line-item, the same policy will be followed for these funds.

II. CAPITAL IMPROVEMENTS POLICY

A capital improvement program (CIP) will be developed for a period of five years. The CIP will outline and prioritize all proposed capital projects, including land acquisitions, land improvements, construction projects and equipment purchases having estimated costs over \$50,000 and useful lives of four or more years. As resources are available, the most current year of the CIP will be incorporated into the current year of the city's operating budget. The CIP will be reviewed and updated annually prior to the beginning of the operating budget cycle.

III. REVENUE POLICY

The city will strive to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source. The revenue mix should combine elastic and inelastic revenue sources to minimize the effect of an economic downturn.

The city will estimate its annual revenues by an objective analytical process using the best information available.

The city will establish all user charges at a level related to the cost of providing the services and will *annually* revise user fees (with review by the City Commission) to adjust for the effects of inflation, program changes or other factors.

The city will set fees and user charges for each enterprise fund, such as the Water Fund and Sewer Fund, at a level that fully supports the total direct and indirect costs of the activity. Costs shall include the cost of annual depreciation of capital assets.

The city will set fees for other user activities, such as recreation services, at a level to support the direct and appropriate indirect costs of the activity.

The city will aggressively pursue collections of delinquent accounts receivable utilizing appropriate legal means (including outside collection agents) to enforce payment of amounts owed.

IV. GENERAL FUND RESERVE POLICY

It will be the city's policy to maintain an unreserved and undesignated General Fund fund balance reserve equal to at least ten percent (10%) of total actual General Fund Expenditures for the preceding year. The fund balance will be maintained to provide sufficient working capital and cash flow for daily financial needs and to help offset significant revenue shortfalls that may occur due to economic changes.

If upon completion of audited financial statements for a given year the actual unreserved and undesignated General Fund fund balance is found to exceed the policy target set above, the "excess" amount may be transferred to the city's Public Improvement Fund to finance general purpose capital needs.

V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICY

The City will establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements will be established, however, because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

An independent full scope audit of all city funds will be performed on an annual basis. Selection of the independent auditor will be made by the City Commission based on a competitive request for proposal (RFP) process every three to five years.

The city will prepare a Comprehensive Annual Financial Report (CAFR) in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). It will be the city's goal to complete the annual audit and prepare the CAFR within 120 days of the end of the fiscal year.

The city shall submit annually its CAFR to the Certificate of Achievement for Excellence in Financial Reporting Program sponsored by the Government Finance Officers Association. Recommendations made by GFOA reviewers shall be incorporated into the city's CAFR for the subsequent year.

Additionally, upon completion of the annual audit and CAFR, the city will prepare a Popular Annual Financial Report (PAFR) designed to provide citizens and other interested parties with financial information that is easier to understand than that contained in the detailed CAFR. The PAFR will be widely distributed as a supplement with utility bill mailings or other distribution means.

VI. DEBT POLICY

EXTERNAL DEBT

The City of Muskegon will not use long-term debt to finance current operations.

The City of Muskegon will follow a policy of full disclosure and report all material facts about its financial condition in a timely manner.

The retirement of bonds issued by the city (or its authorities) will be equal to or less than the useful life of the project being funded.

Whenever possible the City of Muskegon (including its authorities) will limit its issuance of debt to a maximum of \$10 million per year to maintain the yield advantages associated with bank qualified obligations.

The city will structure bond issues to maintain a level or decreasing debt service schedule and maintain debt service payments as a predictable and manageable part of the operating budget.

"Pay-As-You-Go" financing will be used when practical. However, when the city utilizes long-term debt financing it will ensure that the debt is financed soundly by:

- Conservatively projecting revenue sources that will be utilized to repay the debt.
- Financing the improvement over a period not greater than the useful life of the improvement, and
- Determining that the benefits to be derived outweigh the total costs (including interest costs) of the project.

Capital lease, certificates of participation, and lease-purchase financing will be treated as debt financing and be subject to the same policies.

The city (and its Authorities) will normally issue debt through a competitive process in which formal bids will be solicited from as many interested parties as possible. The city will award sale of its bonds to the responsible bidder whose bid produces the lowest "true interest cost" (TIC) to the city over the life of the bond issue.

Under some circumstances, it is in the city's best interest to issue debt through a negotiated sale process instead of using a competitive process. The negotiated sale process will only be used when: 1) the nature of the debt issue is unique and requires particular skills from the investment banks involved, 2) the interest rate environment or other economic factors that may affect the issue are particularly volatile and the negotiated sale process can provide needed stability or, 3) the debt issue is bound by a closing deadline. In all cases where the negotiated process is utilized, the underwriter/manager will be selected by a competitive review of their fees, qualifications, and recent performance.

INTERFUND LOANS

In some situations it may be cost effective to loan money from one city fund to another in lieu of borrowing from external sources. Such interfund loans may only be made with formal approval of the City Commission including establishment of a fixed repayment schedule. Interest on interfund loans will be charged at the rate then available on U.S. Treasury notes having a comparable maturity.

VII. FIXED ASSETS CAPITALIZATION AND DEPRECIATION POLICY

CAPITALIZATION THRESHOLDS

Fixed assets are assets of a long-term character (i.e. a minimum useful life of two years) which are intended to continue to be held and used, such as land, buildings, improvements other than buildings, machinery, vehicles and equipment. This policy is intended to establish guidelines for accounting for, capitalizing and depreciating fixed assets held by the various city funds.

<u>Category</u>	<u>Capitalization Threshold (Unit Cost)</u>
Land	\$ N/A
Land Improvement	7,500
Buildings	7,500
Equipment	7,500
Vehicles	7,500
Office Equipment and Furniture	7,500

Only those items having *unit* costs in excess of the threshold limits specified above will be considered fixed assets for purposes of city accounting records. Fixed assets in the city's proprietary type funds (i.e. Enterprise, Internal Service) shall be capitalized in the year of purchase and depreciated over their estimated useful lives. Fixed assets of all other funds shall be recorded in the General Long Term Fixed Asset Group of Accounts in the year of purchase and shall not be depreciated. Certain public domain general fixed assets consisting of improvements such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized.

General fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Property and equipment of the enterprise funds and internal service funds are carried at cost.

DEPRECIATION AND ESTIMATED USEFUL LIFE

Depreciation of Fixed Assets in the city's Proprietary Funds shall be accomplished using the simple straight life method. The estimated useful life of assets will be based on IRS policies, past experience, or other reliable sources. Useful lives typically will not exceed fifty (50) years.

VIII. LIABILITY INSURANCE CLAIM SETTLEMENTS

Under the Michigan Municipal Risk Management Authority (MMRMA) program the city is self-insured for the first \$75,000 of any single liability claim. A portion of the city's annual "premium" paid to MMRMA is set aside in a reserve account to cover this retained risk and no disbursement can be made from this reserve without prior authorization from the city.

When a claim is made against the city, all pertinent information is turned over to MMRMA. The "claims adjusting" section of MMRMA then investigates the claim thoroughly and recommends a course of action to the city (e.g. deny claim, settle for no more than X dollars, etc.).

The following policy will govern the handling of such liability claims:

- The City Manager or the Finance Director are authorized to approve settlements up to \$10,000 provided that the settlement is consistent with the recommendation of the MMRMA.
- Settlements for amounts less than \$10,000 which are not consistent with the recommendation of MMRMA may only be authorized with concurrence of the City Attorney and timely notification of the City Commission.
- Proposed claim settlements in excess of \$10,000 must be reviewed and approved by the City Commission.

IX. POLICY FOR ADJUSTING UNCOLLECTIBLE ACCOUNTS

During the normal course of conducting its business, the city invoices outside parties for a variety of reasons ranging from taxes, fines, or penalties to the sale of city services or goods. Most billings are paid promptly and the majority of those that are not are ultimately collected through discontinuance of service, use of third-party collection services, or other means. However, it is periodically necessary to adjust the city's receivable records by "writing-off" accounts deemed to be uncollectible or by making an adjustment to reflect the negotiated settlement of a disputed account.

The city's policy for adjusting accounts receivable shall be:

Preliminary authorization for adjustments or write-offs of individual accounts receivable for amounts not in excess of \$10,000.00 may be given by the City Manager or other responsible official designated by the City Manager (e.g. the City Treasurer in the case of water bills). At least once each year (or more frequently if deemed necessary) a comprehensive listing of all such accounts together with the reasons the accounts are deemed uncollectible will be presented to the City Commission for review and formal approval.

The adjustment or write-off of individual accounts receivable for amounts in excess of \$10,000.00 shall be approved by the City Commission on an individual basis.

Adjustments to accounts receivable which are determined by the City Treasurer to be necessary due to administrative error may be made without going through the procedure outlined above.

X. POLICY FOR ADJUSTING DELINQUENT PERSONAL PROPERTY TAXES

The city's policy for adjusting delinquent personal property taxes shall be as follows:

- A reserve for estimated uncollectible personal property taxes shall be maintained in each fund having delinquent personal property tax receivables. The reserve will be equal to one-half of the fund's delinquent personal property taxes outstanding as of each December 31.

- The city shall only maintain in its general ledger records delinquent personal property tax receivables for the five most recent years. At the close of each fiscal year, the city will write-off any balances remaining uncollected that are more than five years old. Balances written off may be turned over to a private collection agency for additional collection efforts.

Real property taxes that become delinquent are turned over to the County treasurer for collection. The City is generally made whole at the outset of the collection process and only “charged back” for those taxes that remain delinquent after several years of unsuccessful collection effort.

XI. INVESTMENT POLICY

The City of Muskegon (“the City”) is located in Western Michigan on the shores of Lake Michigan. The City covers eighteen square miles and is the largest city on the Eastern Shore of Lake Michigan. The City operates under a Commission-Manager form of government, with a seven-member commission that appoints the City Manager and the Director of Finance. The Director of Finance serves as the City’s Investment Officer as defined in Michigan Compiled Laws (MCL) Chapter 129.91.

The following Investment Policy addresses the methods, procedures and practices which must be exercised to ensure effective and judicious fiscal and investment management of the City’s funds. The purpose of this Investment Policy is to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of Muskegon.

This Investment Policy has been adopted by the City Commission of the City of Muskegon by resolution on March 26, 2002 and it replaces any previously dated investment policies, guidelines or lists of authorized investments.

SCOPE

This Policy shall apply to the investment management of all financial assets under control of the City with the exception of the City’s Police and Fire Pension fund, the City Employees’ Pension fund and the Retiree Health Care Fund, which are administered separately by their respective boards of trustees.

All excess cash, except for cash in certain restricted and special accounts, shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Interest earnings shall be distributed to the individual funds on a monthly basis.

OBJECTIVES

The City’s principal investment objectives are:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market value rate of return.

PRUDENCE

The standard of prudence to be used for managing the City’s assets shall be the “prudent investor rule” which in general states that investments shall be made with the judgment and care that under the circumstances then prevailing, persons of prudence, discretion and intelligence

would exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

The City's investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally riskless and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The Director of Finance and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the City Commission and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager any financial interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City.

DELEGATION OF AUTHORITY

Responsibility for the investment of the City's funds covered by this Investment Policy resides with the Director of Finance who shall develop written administrative procedures and internal controls, consistent with this Policy, for the operation of the City's investment program.

The Director of Finance may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio to the Assistant Finance Director and/or the City Treasurer. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The City may engage the support services of outside professionals in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

AUTHORIZED SECURITIES AND TRANSACTIONS

All investments of the City shall be made in accordance with MCL Chapter 129.91 - 129.96 (Act 20 of 1943). Any revisions or extensions of these sections of MCL will be assumed to be part of this Investment Policy immediately upon being enacted.

The City has further restricted the investment of funds to the following types of securities and transactions:

1. U.S. Treasury Obligations: Treasury Bills, Treasury Notes and Treasury Bonds with a final maturity not exceeding five years from date of trade settlement.

2. Federal Instrumentality Securities: Debentures, discount notes and callable securities, with a final maturity not exceeding five years from the date of trade settlement, issued by the following only: Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Home Loan Mortgage Corporation (FHLMC) and Student Loan Marketing Association (SLMA).
3. Repurchase Agreements: With a termination date not to exceed one year collateralized by U.S. Treasury Obligations or Federal Instrumentality Securities listed in items 1 and 2 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. The purchased securities shall have an original minimum market value including accrued interest of 102 percent of the dollar value of the transaction and the collateral maintenance level shall be 101 percent. Collateral shall be held in the City's custodian bank as safekeeping agent, and the market value of the collateral securities shall be marked-to-market daily.

Repurchase Agreements shall be entered into only with dealers who have executed a City approved Master Repurchase Agreement with the City and who are recognized as Primary Dealers with the Securities Reports Division of the Federal Reserve Bank of New York. Primary Dealers approved as Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by at least one service that rates the firm. The Director of Finance shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of the broker/dealers who have an executed Master Repurchase Agreement with the City.

4. Commercial Paper: With maturities not exceeding 270 days from the date of trade settlement which is rated at least A-1 by Standard and Poor's, P-1 by Moody's or F1 by Fitch at the time of purchase by at least two of these services which rate the commercial paper. The aggregate investment in commercial paper shall be limited to 25% of the total portfolio.
5. Eligible Bankers Acceptances: with original maturities not exceeding 180 days from the date of trade settlement, issued on United States banks whose senior long-term debt is rated, at the time of purchase, A+ by Standard & Poors, A1 by Moody's or A+ by Fitch. The aggregate investment in eligible bankers acceptances shall be limited to 25% of the total portfolio.
6. Time Certificates of Deposit: with maturities not exceeding five years, in state or nationally chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with MCL 129.12. Time Certificates of Deposit exceeding \$100,000, may be purchased only from financial institutions which meet the criteria set forth under the section of this policy, "Selection of Depository Banks." The aggregate investment in time certificates of deposit shall be limited to 25% of the total portfolio.
7. Mutual Funds: registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a daily net asset value per share that fluctuates not more than +/- 1.5% of the fund's original net asset value; and (3) limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities.
8. Money Market Mutual Funds: registered under the Investment Company Act of 1940 which (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7.

9. Investment Pools: organized under the Surplus Funds Investment Pool Act (MCL 129.111 to 129.118) which: (1) are "no-load" (i.e. no commission fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7.
10. Joint Interlocal Investment Ventures organized under the Urban Cooperation Act of 1967, (MCL 124.501 to 124.512) which (1) are "no-load" (i.e. no commission fee shall be charged on purchases or sales of shares); (2) have a constant daily net asset value per share of \$1.00; (3) limit assets of the fund to securities authorized in MCL 129.91 as legal investments for municipalities; and (4) have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7.

It is the intent of the City that the foregoing list of authorized securities be strictly interpreted. Any deviation from this list must be preapproved by the City Commission.

The City recognizes that bond proceeds may, from time to time, be subject to the provisions of the Tax Reform Act of 1986, Federal Arbitrage Regulations, as amended. Due to the legal complexities of arbitrage law and the necessary immunization of yield levels to correspond to anticipated cash flow schedules, the reinvestment of such debt issuance may, upon the advice of Bond Counsel or financial advisors, deviate from the maturity limitation provisions of this Policy.

INVESTMENT DIVERSIFICATION AND LIQUIDITY

It is the intent of the City to diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's anticipated cash flow needs.

The maximum investment in each of the following categories shall not exceed 25% of the total portfolio: Commercial Paper, Eligible Bankers Acceptances and Time Certificates of Deposit.

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than 5 years from the date of trade settlement. The City shall maintain at least 10% of its total portfolio in instruments maturing in 30 days or less. The weighted average final maturity of the City's portfolio shall at no time exceed 3 years.

Diversification and liquidity requirements shall apply to the portfolio in the aggregate and not to individual funds within the portfolio.

The maturity provisions in the previous paragraph do not apply to the city's non-expendable trust funds (the Cemetery Perpetual Care fund, the Reese Playfield Trust, and the Hackley Park Trust). These funds may be invested in U.S. Treasury Obligations and Federal Instrumentality Securities permitted herein with maturities as long as 30 years.

Bond proceeds are not pooled for investment purposes and shall be excluded from calculations of the diversification and liquidity requirements in this section. Other deviations from the diversification and liquidity requirements in this section can be made only with the advance written authorization of the City Commission.

SELECTION OF FINANCIAL INSTITUTIONS AND BROKERS

The Director of Finance shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment purposes, and it shall be the policy of the City to purchase securities only from those authorized institutions and firms.

To be eligible, a broker/dealer or financial institution must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Securities Reports Division of the Federal Reserve Bank of New York,
2. Report voluntarily to the Securities Reports Division of the Federal Reserve Bank of New York, or
3. Meet the securities dealer's capital adequacy requirements of the New York Federal Reserve Bank and provide written certification to the City that the requirements have been met on a continuous basis for the previous twelve-month period.

Broker/dealers and other financial institutions will be selected by the Director of Finance on the basis of their expertise in public cash management and their ability to provide services for the City's account. Approved broker/dealers and the firms they represent shall be licensed to do business in the State of Michigan and as such are subject to the provisions of Michigan Statutes relating to the investment of public funds. Broker/dealers shall attest in writing that they have received and reviewed a copy of this Policy.

Each broker/dealer, bank or savings and loan that has been authorized by the Director of Finance shall be required to submit and annually update a City approved Broker/Dealer Information Request form which includes the firm's most recent financial statements. The Director of Finance shall maintain a list of the broker/dealers that have been approved by the City, along with each firm's most recent Broker/Dealer Information Request form.

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 4 of the Authorized Securities and Transactions section of this Policy.

COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the City. At least three broker/dealers shall be contacted for each transaction and their bid and offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then the Director of Finance will document quotations for comparable or alternative securities.

When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

SELECTION OF DEPOSITORY BANKS

Periodically, through a Request for Proposal process, the City shall select a bank to provide checking account and other banking services for the City. To be eligible for authorization, a bank must (1) be a member of the FDIC, (2) maintain a permanent office within the City and (3) meet the minimum credit criteria (described below) of credit analysis provided by commercially available bank rating services.

Notwithstanding provision (2) in the preceding paragraph, Time Certificates of Deposit described in the section of this policy, "Authorized Securities and Transactions" may be purchased from authorized banks if they maintain a principal office or a branch office in the State of Michigan.

The City shall utilize the commercially available bank rating services of PMA Financial Network, Inc. and/or the Sheshunoff Bank and S&L Quarterly to perform credit analyses on banks and savings and loans seeking authorization. Data obtained from the bank rating services will include factors covering overall rating, liquidity policy, credit risk policy, interest rate policy, profitability, and capital policy. To be eligible for designation to provide banking services, a financial institution must qualify as a depository of public funds in the State of Michigan as defined in MCL Chapter 129.91 and shall meet the following criteria:

1. have a Sheshunoff Peer Group Rating of 30 or better on a scale of zero to one hundred with one hundred being the highest quality for the most recent reporting quarter before the time of selection; or
2. have a PMA Financial Network, Inc. overall rating of three or better on a scale of one to five with one being the highest quality for the most recent reporting quarter before the time of selection.

The Director of Finance shall maintain a file of the most recent credit rating analysis reports performed for each approved financial institution by one of the above listed rating firms. Bank credit analysis shall be performed on a semi-annual basis.

SAFEKEEPING AND CUSTODY

The Director of Finance shall select a bank to provide safekeeping and custodial services for the City. A City approved safekeeping agreement shall be executed with the custodian bank prior to utilizing that bank's safekeeping services. The custodian bank shall meet the following criteria:

1. have a Sheshunoff Peer Group Rating of 20 or better on a scale of zero to one hundred with one hundred being the highest quality for the most recent reporting quarter before the time of selection; or
2. have a PMA Financial Network, Inc. overall rating of three minus or better on a scale of one to five with one being the highest quality for the most recent reporting quarter before the time of selection.

The custodian bank will be selected on the basis of its ability to provide services for the City's account and the competitive pricing of its safekeeping related services.

The Director of Finance shall maintain a file of the credit rating analysis reports performed for the custodian bank by one of the above listed rating firms. Bank credit analysis shall be performed on a semi-annual basis.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. It is the intent of the City that ownership of all securities be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except Certificates of Deposit, Mutual Funds, Investment Pools and Joint Interlocal Investment Ventures, purchased by the City will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the City shall be evidenced by a safekeeping receipt or a customer confirmation issued to the City by the custodian bank stating that the

securities are held in the Federal Reserve system in a CUSTOMER ACCOUNT for the custodian bank which will name the City as “customer.”

All DTC eligible securities shall be held in the custodian bank's Depository Trust Company (DTC) participant account and the custodian bank shall issue a safekeeping receipt evidencing that the securities are held for the City as “customer.”

All non-book entry (physical delivery) securities shall be held by the custodian bank's correspondent bank and the custodian bank shall issue a safekeeping receipt to the City evidencing that the securities are held by the correspondent bank for the City as “customer.”

PORTFOLIO PERFORMANCE

The investment and cash management portfolio shall be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements.

The performance of the City's investments shall be compared to the average yield on the U.S. Treasury Security that most closely corresponds to the portfolio's actual weighted average effective maturity. When comparing the performance of the City's portfolio, its rate of return will be computed net of all fees and expenses.

REPORTING

Accounting and reporting on the City's investment portfolio shall conform to Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) recommended practices. On a monthly basis, the Director of Finance shall submit to the City Commission an investment report, listing the investments held by the City, the current market valuation of the investments and performance results. The report shall include a summary of investment earnings during the period. A record shall be maintained by the City of all bids and offerings for security transactions in order to ensure that the City receives competitive pricing.

Reports prepared by outside advisors shall be sent to the City's Director of Finance.

POLICY REVISIONS

This Investment Policy shall be reviewed periodically by the Director of Finance and may be amended by the City Commission as conditions warrant.

GLOSSARY OF TERMS USED

Bankers' Acceptance (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Broker: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Certificate of Deposit: A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs are typically negotiable.

Collateral: Securities or property pledged by a borrower to secure payment.

Commercial Paper: An unsecured promissory note with a fixed maturity of no more than 270 days. Commercial paper is normally sold at a discount from face value.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own account.

Debenture: A bond secured only by the general credit of the issuer.

Delivery Versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt (also called free). Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount Securities: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Federal Deposit Insurance Corporation (FDIC): A federal institution that insures bank and savings and loan deposits, currently up to \$100,000.

Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

Fed Wire: A computer system linking member banks and other financial institutions to the Fed, used for making inter-bank payments of Fed funds and for making deliveries of and payments for Treasury, agency and book-entry mortgage backed securities.

Investment Adviser's Act: Legislation passed by Congress in 1940 that requires all investment advisers to register with the Securities and Exchange Commission. The Act is designed to protect the public from fraud or misrepresentation by investment advisers.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

Local Government Investment Pool: The aggregate of all funds from political subdivisions that are placed in custody of pools authorized under the laws of the State.

Mark-to-market: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Value: Current market price of a security.

Master Repurchase Agreement: A written contract covering all future transactions between the parties to repurchase or reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Money Market Mutual Fund: A mutual fund that limits its investments to some or all types of money market instruments.

Net Asset Value: The market value of one share of an investment company, such as a mutual fund.

No Load Fund: A mutual fund that does not levy a sales charge on the purchase of its shares.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

Prudent Person Rule: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Ratings: An evaluation of an issuer of securities by Moody's, Standard & Poor's, Fitch, or other rating services of a security's credit worthiness.

Repurchase Agreements: A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him/her. Dealers use repurchase agreements extensively to finance their positions.

Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, both designed to help the fund maintain a constant one dollar (\$1.00) net asset value.

Safekeeping: Holding of assets (e.g., securities) by a financial institution.

Treasury Bills: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months or six months.

Treasury Bonds: Long-term U.S. Treasury securities having initial maturities of more than ten years.

Treasury Notes: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from two to ten years.

Yield: The rate of annual income return on an investment, expressed as a percentage.

XII. PETTY CASH USES AND LIMITS

Petty cash accounts may be established in such locations and in such amounts as may be determined necessary by the City Manager. Petty cash disbursements up to \$300.00 are permitted for the following purposes: 1) for the expedited purchase of minor goods or services, 2) to provide immediate reimbursement to employees for travel or other costs paid out of their own pocket in the conduct of city business and, 3) to provide immediate refunds to customers as warranted. All uses of petty cash must be fully supported by receipts or other appropriate documentation. Petty cash procedures shall be reviewed periodically by the city's independent auditor.

Employees traveling on city business may receive a petty cash travel advance of up to \$300.00 from the City Treasurer's Office to be used for travel purposes. The employee's department head must approve travel advances. Cash advances of more than \$300.00 are discouraged and will only be made upon written authorization of the employee's department head and the city manager.

In order to distinguish travel advance requests from expense reporting, while simplifying the process to the extent possible, we created a new form for that purpose. Please note that with the new *Request for Petty Cash Travel Advance* form, the requesting party must acknowledge that receipts and any money owed the city must be returned within ten days of return from travel. If the money and/or expense documentation is not returned, the employee authorizes the full amount of the travel advance to be deducted from their paycheck along with a \$5.00 processing fee. The *Request for Petty Cash Travel Advance* forms are available through the City Treasurer's Office.

Note that travel expenses should continue to be reported on the *Travel Expense Reporting Form* as soon as possible upon returning from travel. *Travel Expense Reporting Forms* are available on the City's Intranet Page.

XIII. PROCEEDS FROM SALE OF CITY-OWNED REAL ESTATE

From time to time the city sells real estate that it owns. It is city policy that, unless required by law or by specific direction of the City Commission, proceeds from such property sales shall be deposited to the city's Public Improvement Fund to be used to finance general purpose capital needs.

In the case of tax reverted property sold by the city, sale proceeds will first be used to reimburse appropriate city funds for expenses incurred in maintaining and selling the property. Any remaining sale proceeds will be distributed to the city and other taxing jurisdictions in the same manner as regular property taxes.

XIV. PROCUREMENT CARD PROGRAM POLICY

GENERAL

Regular government purchasing methods, such as purchase orders, can be cumbersome and costly in relation to the value of goods being purchased. To promote operational efficiency, the city has adopted a procurement card purchasing program for use with small dollar value purchases.

A number of unique controls have been developed for the procurement card program. These controls will ensure that cards can be used only for specific purchases and within specific dollar limits. In addition, documentation of all purchases is required by each cardholder with further approval from the department head and the City Manager's office before payment is made.

The unique procurement card issued by the city has the employee's name embossed on it together with the City's tax-exempt status. No one other than the employee in whose name is on the card may use the card. **CITY ISSUED PROCUREMENT CARDS MAY ONLY BE USED BY DESIGNATED CITY EMPLOYEES FOR THE PURCHASE OF GOODS OR SERVICES FOR THE OFFICIAL BUSINESS OF THE CITY OF MUSKEGON. UNDER NO CIRCUMSTANCES IS THE PROCUREMENT CARD TO BE USED FOR PERSONAL PURCHASES.**

DESIGNATION OF RESPONSIBLE OFFICIAL

The Finance Director is designated as the official responsible for overseeing compliance with this procurement card policy including procurement card issuance, accounting for procurement card transactions, monitoring and payment of procurement card statements.

TRANSACTION AMOUNTS

The procurement card may be used for purchases of individual items up to \$2,500.00 in value. The *total monthly dollar value* of transactions on each procurement card will generally be limited to \$5,000.00. The City Manager may establish higher monthly credit limits for employees whose positions require higher than normal use of the procurement card. Also, procurement cards may be used for individual purchases exceeding \$2,500.00 with prior authorization of the City Manager. The total combined authorized credit limit of all procurement cards issued by the city shall not exceed five percent of the city's total budget for the current year. All purchases made with a city procurement card must be fully supported by receipts, invoices, and other documentation. Such documentation is to be attached to the monthly procurement card statement and cardholder's reconciliation.

EMERGENCY TRANSACTION AMOUNTS

In the event of an extended emergency, the City Manager is authorized to establish higher procurement card limits on a temporary basis so that city employees may procure goods and services necessary to deal with the emergency. In the event this provision is activated, the City Manager shall provide timely written notification to the City Commission of the employees whose limits have been increased, the amount of increase, and the period of time the increases are expected to be in effect. In no event are emergency transaction limits to be in effect for more than thirty days.

INTEREST COSTS AND SALES TAX

It is the city's policy to pay in full each month on or before the due date the total balance due on its procurement cards thereby avoiding interest charges. As a municipality, the city is exempt from payment of state sales tax. City procurement card users are expected to exercise care in conducting transactions to ensure that they are not incorrectly charged for sales tax.

OTHER PURCHASING POLICIES

The procurement card is a supplement to other purchasing procedures such as purchase orders. As with the other purchasing methods, the following conditions must be met when using your procurement card.

- Each single purchase may be comprised of multiple items, but the total cannot exceed the single purchase dollar limit on your procurement card.
- When purchases exceed the established dollar limits, the normal procedures of using purchase orders must be followed unless written authorization is given by the employee's department head.

- The least expensive item that meets your basic needs should be bought and competitive quotes must be obtained in accordance with existing purchasing policies.
- Cardholders must follow normal budgetary control procedures to ensure that sufficient funds are available prior to making purchase.
- Use of the procurement card does not relieve the cardholder from complying with Federal, State and city ordinances, regulations, policies and procedures.
- Use of the procurement card is not intended to replace effective procurement planning which enable volume discounts.
- Purchases are not to be split to circumvent procurement regulations.

RESTRICTIONS ON USE

The following list covers purchases for which procurement cards use is prohibited:

- Cash advances through bank tellers or teller machines.
- Traveler's Checks.
- Purchase of gasoline or diesel fuel for city vehicles except in emergencies (use city pumps or Fuelman System).
- Purchase of items stocked in city inventory unless required in emergencies.
- Additional specific restrictions as deemed necessary by individual departments.

XV. ELECTRONIC PAYMENTS

Modern technology makes it possible to transfer funds electronically in lieu of issuing paper checks. This technology offers many benefits to users including lower transaction costs, reduced opportunities for fraud, and better cash management control. The city has effectively utilized this technology for several years for purposes such as direct deposit of employee paychecks and automatic payment of customers' water bills. The city supports continued use and expansion of electronic payments technology for payment of vendors and other uses provided appropriate internal controls are established. The City Manager and Finance Director, in conjunction with the city's independent auditors, are authorized to develop the necessary procedures and controls for expanded use of this technology in the City of Muskegon.

XVI. ACCEPTANCE OF CREDIT CARD PAYMENTS

The city has studied the costs and benefits of accepting credit card payments from customers and has determined that credit card acceptance significantly enhances customer service and provides administrative and other benefits to the city that outweigh the associated costs. Accordingly, the city's policy shall be to accept credit cards for payment of all city bills and invoices *except routine payment of property taxes and income taxes*. The City Treasurer or Income Tax Administrator may permit payment by credit card for property or income taxes in specific collection cases where they have determined it is in the city's best interest to do so.

XVII. TRAVEL POLICY AND GUIDELINES

SCOPE

This policy applies to all City of Muskegon elected officials, employees, board members, volunteers and others when travelling on official City business and/or travelling at city expense.

AUTHORIZED TRAVEL

In the normal course of conducting City business, employees are required to travel for purposes of work-related meetings, training opportunities, professional conferences, or other business purposes. As part of the annual budget process, departments' request funding for travel purposes for the coming year. Department heads have full authority to approve travel for their employees (without additional authorization) within limits of the department's approved travel budget. Travel that is significantly beyond the parameters of the department's travel budget should be approved by the City Manager together with a corresponding budget adjustment if required.

TRAVEL COSTS

The City recognizes that its employees are responsible adults who take the same care in incurring travel expenses while on City business as when traveling on personal business. Accordingly, this policy does not establish rigid cost limits for lodging, meals, or other travel costs. Instead, the following general guidelines are offered while recognizing that special circumstances may dictate that employees incur costs beyond these guidelines:

Lodging - Lodging costs should generally range between \$60.00 - \$120.00 per night depending on location (based on single occupancy and including local taxes which the City is not exempt from). Employees are relied upon to use their good judgment in selecting safe and economical accommodations.

Two important factors to remember when making hotel reservations: 1) you should always ask for special "government" rates that are typically deeply discounted from regular rates and, 2) you should identify the travel as official City business exempt from state sales tax and inquire as to any specific documentation requirements the hotel may have.

Costs for in-room movies, exercise rooms, or other hotel services not included in the basic room rate are not reimbursable by the City.

Meals - Meal costs should generally not exceed \$34.00 per person for each full day of travel (including gratuities and taxes). For partial day travel or individual meal reimbursements, the following limits will apply:

Breakfast	\$7.00	Travel Before 8:00 AM
Lunch	\$9.00	Travel Before 12:00 Noon
Dinner	\$18.00	Travel Before 6:00 PM

Individual meal limits will apply regardless of whether or not reimbursement is sought for other meals during the day. For example, it is not permissible to "skip" breakfast and lunch in order to be reimbursed \$34.00 for a dinner; instead, the dinner will only be reimbursed up to the \$18.00 limit specified above. Often lunch or other meals are included in the registration price of a seminar or conference. It is expected that employees attending these functions will partake in these meals. The City will not reimburse meal costs if the employee chooses to forgo the conference meal and dine elsewhere.

Transportation - Vehicle travel may be by either City vehicle or the employee's private vehicle. If a private vehicle is used, reimbursement will be based on the number of miles traveled times the allowable IRS business mileage rate in effect as of the preceding January 1. Air travel is generally used for destinations more than 200 miles away. Employees are encouraged to take advantage of discounted airfares and should utilize the Muskegon County Airport whenever possible.

Employees may elect to use private vehicles for travel to destinations more than 200 miles away and will be reimbursed based on the current IRS mileage rate or equivalent round trip coach airfare for that destination, whichever is less. However, no reimbursement will be made for added lodging or meal costs incurred because of the extra travel time.

Employees who elect to use their own vehicle should be aware that under the laws of the State of Michigan, every vehicle owner is required purchase insurance that is the primary coverage for that vehicle. While using a private vehicle for City travel, any automobile liability insurance coverage in force for the City is excess coverage only for the employee/vehicle owner.

Other Costs - Other incidental costs (such as parking, ground transport, phone calls), should not exceed an average of \$15.00 per day. Rental car costs generally will not be reimbursed by the city as it is expected that employees will utilize lodging in close proximity to the conference or other event. In extraordinary circumstances where the employee deems it necessary to rent a car, reimbursement will only be made with the written authorization of the city manager.

Traveling With Spouse - There is no objection to employees inviting their spouse to travel along on City business. However, the City will pay for none of the spouse's travel expenses and care should be taken to maintain separate records of the employee's reimbursable travel costs.

PAYING FOR TRAVEL COSTS

Methods available for employees to pay travel costs include the following:

City Credit Card - Employees who have been issued a City of Muskegon credit card should use it to pay their travel costs. Additionally, in each department a credit card holder is designated to use their card to pay for other employees' travel costs that can be readily handled in advance (e.g. airline tickets, conference registration, hotel, etc.).

Personal Credit Card - Employees who have not been issued a City credit card may find it convenient to pay travel costs on their own personal credit card and receive cash reimbursement from the City.

Petty Cash Advance - Employees traveling on city business may receive a petty cash travel advance of up to \$300.00 from the City Treasurer's Office to be used for travel purposes. The employee's department head must approve travel advances. Cash advances of more than \$300.00 are discouraged and will only be made upon written authorization of the employee's department head and the city manager.

In order to distinguish travel advance requests from expense reporting, while simplifying the process to the extent possible, we created a new form for that purpose. Please note that with the new *Request for Petty Cash Travel Advance* form, the requesting party must acknowledge that receipts and any money owed the city must be returned within ten days of return from travel. If the money and/or expense documentation is not returned, the employee authorizes the full amount of the travel advance to be deducted from their paycheck along with a \$5.00 processing fee. The *Request for Petty Cash Travel Advance* forms are available through the City Treasurer's Office.

Note that travel expenses should continue to be reported on the *Travel Expense Reporting Form* as soon as possible upon returning from travel. *Travel Expense Reporting Forms* are available on the City's Intranet Page.

REPORTING REQUIREMENTS FOR TRAVEL EXPENSE REIMBURSEMENT

Travel expense reporting has been simplified to the extent possible. The following guidelines apply to travel expense reporting:

- Travel expenses are to be reported on the Travel Expense Reporting Form included with this pamphlet as soon as possible upon returning from travel.
- Only expenses for which cash reimbursement is sought by the employee need to be reported. Expenses paid in advance or expenses paid by City credit card should not be included on the Travel Expense Reporting Form.
- **Expenses must always be supported by receipts or other documentation.**
- If total expenses to be reimbursed are \$300.00 or less, you may obtain immediate reimbursement from the City Treasurer's Office.
- If total expenses to be reimbursed are more than \$300.00, they will be reimbursed as a separately itemized, non-taxable category on the employee's regular bi-weekly paycheck. Accordingly, travel expense report forms must be submitted to the Finance Office with all necessary approvals no later than 5:00PM on the Friday prior to payday for reimbursement on that paycheck.

DOUBLE-DIPPING

It should go without saying that City expects honest and ethical behavior from its employees in handling travel expense matters. Travel expenses that are partially or fully paid by outside parties (such as federal agencies) are not to also be submitted for reimbursement from the City. Any employee found to be deliberately misreporting travel expenses will be subject to disciplinary action as well as potential prosecution.

LOCAL BUSINESS EXPENSES

In addition to travel expenses, it is sometimes appropriate for City employees to incur costs on behalf of boards or committees or in the course of entertaining visiting guests. Department heads have full authority to approve such costs (within budgetary limits) and the same general guidelines as outlined above for employee travel expenses should be followed.

XVIII. CASH HANDLING POLICY FOR DEPARTMENTS ACCEPTING PAYMENTS FROM CITIZENS

This policy is intended as a guide and supplement to other measures which should exist surrounding the collection, timely deposit, and recording of collections in the records at each city location.

For some city departments that have higher volumes of cash transactions, a cash register is used to record receipt transactions. All transactions must be entered in the register and **a receipt must be issued to each customer**. For other departments, the method for recording and balancing is with a receipt book that has pre-numbered receipts. This method is acceptable with the understanding that all transactions are entered, and **a receipt is issued to every customer**. The pre-numbered receipt books are issued to city departments by the treasurer's office.

City departments handling cash have starting cash, which is used for making change for their customers. When balancing out the daily transactions, you first remove the starting cash amount. The receipts should offset the money (cash and checks) that you have remaining. If this is not the case, then, you have an overage or a shortage. This must be noted on your pink "cash-out" slip/sheet. Two signatures are required for all deposits. If a discrepancy (shortage or overage) occurs, the department's authorized person (usually the department head) must review and sign the cash-out slip/sheet.

For departments that have a cash register, on a daily or other periodic basis, you should enter a summary of the receipt transactions into the SCI Financial System's Cash Receipts module on a "cash sheet" and generate a "Cash Receipts Edit" report. The "Cash Receipts Edit" report, cash register transaction summary tape, money received, an adding machine tape and/or item count of checks and the "cash-out" sheet should be hand delivered to the City Treasurer's office each day. The treasurer's office will issue a receipt for the total amount deposited.

For departments without a cash register, on a daily or other periodic basis, you should prepare a deposit report detailing the receipt transactions being deposited. Each deposit report includes all pre-numbered receipt numbers used by the department since the last report, even if the receipt was voided. The deposit report, money received, an adding machine tape and/or item count of checks and the "cash-out" sheet should be hand delivered to the City Treasurer's office each day. The treasurer's office will issue a receipt for the total amount deposited.

If assistance is needed in reference to any of the above, please contact the treasurer's office.

XIX. ACCOUNTS PAYABLE

The city fully recognizes the importance of paying its vendors and suppliers in a timely manner. Late vendor payments result in higher costs as well as damage to the city's reputation. Accordingly, it is city policy to issue accounts payable (A/P) checks on the second and fourth Fridays of each month. This cycle will ensure that (provided timely departmental approvals are obtained) vendor payments will be made within 30 days of invoice receipt.

City departments are expected to plan their payment transactions around the regular A/P check cycle; off-cycle A/P checks will not be permitted without the approval of the Finance Director or Assistant Finance Director. In emergency situations where payment cannot wait for the regular A/P check cycle, arrangements can be made with the Finance Department to electronically transfer funds to the vendor's account.

XX. ACCOUNTS RECEIVABLE AND BANKRUPTCY

BASIC COLLECECTION PROCEDURES

Each department will input all invoices through the City's A/R system software. Periodically, the Revenue Collections Administrator will review all invoices over 90 days and may request supporting account documentation from the department that originated the invoice. Upon reviewing the account history, debtor information, and account balance, the Revenue Collections Administrator will determine the appropriate collection action(s).

The following steps should be followed in collecting delinquent accounts. The size of the account may influence the effort put into collection attempts. The expenditure of time, effort, and money to collect large amounts is appropriate; however, the same effort expended on very small (under \$25.00) accounts is wasteful. The course of action may be one or more of the following:

- a) Attempt to collect on the account in house:
 - 1) A series of collection letters should be sent if payment is not received from the billings.
 - 2) Telephone contact is recommended if no explanation or payment is received in response to billings or collections letters.

- b) Proceed with legal collection efforts through Small Claims Court.
- c) Forward account(s) to City Attorneys Office for consideration.
- d) Delinquent accounts upon which the City is unsuccessful in collection through the above procedures may be referred to a collection agency.
- e) Requests the outstanding balance be submitted for write off.

From time to time, debtors may want to enter into negotiations regarding their delinquent account(s). The Revenue Collections Administrator will have the authority to enter into meaningful settlement negotiations with the debtor for accounts under \$10,000.

LEGAL ACTION

Legal action may be used only as a last resort to collect on delinquent accounts. It will be up to the Revenue Collections Administrator to determine which accounts warrant such action taking into consideration time and added costs in collecting the delinquent account(s). During the course of the legal process, settlement offers may be made by the debtor in an effort to avoid further legal expenditures. The Revenue Collections Administrator has the authority to enter into meaningful settlement negotiations with the debtor for accounts under \$10,000.

OBSERVATION OF COLLECTION LAWS

The Revenue Collections Administrator will ensure that all Federal, State and local laws are observed and understood by all whom engage in collection activities on behalf of the City of Muskegon.

BANKRUPTCIES

Bankruptcy notices should always be forwarded to Revenue Collections Administrator, regardless of whether the department receiving the notice of bankruptcy has an outstanding receivable balance due from the debtor or not. Other departments throughout the City may also have business pending with the debtor and must be notified of the bankruptcy status.

Upon receipt, the Revenue Collections Administrator will circulate a notice to various departments which typically deal with receivable accounts and who may be maintaining a collection account with the debtor. Departments wishing to be included in the routing on a regular basis should contact the Revenue Collections Administrator.

If a department receives correspondence from the Revenue Collections Administrator requesting information on outstanding debts involved in a bankruptcy, the department should return to the Revenue Collections Administrator the requested information, with supporting documents, within seven days of receipt. The Revenue Collections Administrator will consolidate information from the City as a whole and prepare and file a claim on a timely basis.

Departments utilizing an outside collection agency should notify the agency that upon receipt of a bankruptcy notice, the agency is required to close and return the account to the City immediately. Under no circumstances is an outside agency, such as a collection agency, to file a bankruptcy claim on behalf of the City.

The Revenue Collections Administrator will review certain accounts that may be forwarded to the City Attorney's Office for consideration due to the complexity of the bankruptcy proceeding.

Upon receipt of a bankruptcy discharge or dismissal, the Revenue Collections Administrator will notify all departments involved.

XXI. PAYROLL DEDUCTIONS

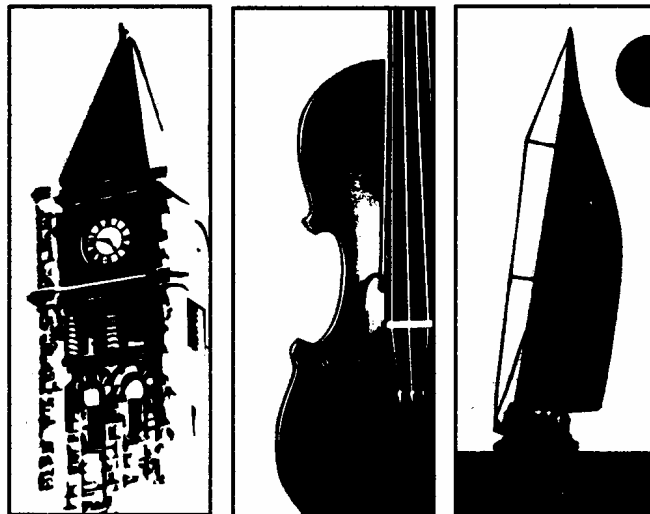
The city is required to make various deductions from employee paychecks for taxes, pension contributions, union dues and other purposes mandated by law, union contracts, or terms of employment. Additionally, the city offers a range of “voluntary” deduction programs deemed to be of general benefit to employees. Examples include deferred compensation retirement savings, ability to purchase additional life insurance through the city’s carrier at favorable rates, and U.S. Savings Bonds. From time to time, outside firms (typically offering investment and/or insurance products) approach the City about including their programs on the city’s voluntary payroll deduction menu. Although such programs are touted as “employee benefits having no-cost to the city”, the fact is that such programs can entail significant costs not only for payroll administration, but also in terms of employee time consumed in marketing or educational efforts. Accordingly, city policy regarding such requests is as follows: 1) all such requests must be submitted in writing to the city manager’s office; 2) after preliminary staff review and analyses of the benefits and costs, the request will be forwarded to the labor-management committee for review and recommendation; 3) if the labor-management committee recommends approval of the request, at least twenty full-time employees must sign-up for the program before payroll deduction will be started. Nothing in this policy will prohibit the city from implementing voluntary deduction programs it deems desirable even if they do not meet the criteria specified above.

CITY OF MUSKEGON

FINANCIAL POLICIES

UPDATED MARCH, 2002

MUSKEGON



West Michigan's Shoreline City